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GEEKONOMICS

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THE Geeks begin this year as they did the past year— with some economic policy wishes for the next 12 months. In the same spirit as last year, we begin by reflecting on what might have been, an easier task than previously since our last year’s wishes are on the record from our first column of 2006.

Despite our conscious restraint and every attempt to be pragmatic and realistic, there has been virtually no progress on any of the items addressed in our previous list. Most of last year’s column could be reproduced almost verbatim. And that is how we begin.

We began with wishes for simplification in the structure and reductions in the rates of South African import duties. SA has one of the most complex tariff schedules in the world and protection remains relatively high on almost all products made in the country. The existing tariff structure penalises poor consumers and reduces the incentive to export.

Last year saw no progress in overall rate reduction or simplification and the trade and industry department has made a point of doing nothing, to preserve “bargaining power” in World Trade Organisation negotiations. This is despite the fact that: (a) the Doha Round, by the department’s own admission; is going nowhere, (b) whether it does, lies outside of SA’s control, and (c) the main (and in most cases the only) beneficiaries of South African tariff reform will be South Africans.

This has not prevented the department from continuing to negotiate, with varying degrees of seriousness, a wide variety of preferential trade agreements.

The much lauded trade agreement with the US has collapsed. It is easy to blame the Americans for being too ambitious, but the real culprits are our own negotiators who lack the courage and information necessary to undertake meaningful reform.

Similarly, the hollow agreement between the Southern African Customs Union (Sacu) and Latin American trade bloc Mercosur that was concluded in 2005 includes almost no trade and has yet to be implemented. Don’t expect much from future negotiations.

The only form of trade liberalisation that has taken place in SA this century results from the preferential agreements entered into with the EU and Southern African Development Community (SADC). These agreements come with restrictive rules of origin that make many tariff reduction useless. While the rules in the EU might have been beyond our control, those in SADC were largely due to SA.

The result is a SADC regime that is saddled with protectionist mentalities and has no hope of achieving its modest goal of creating a free trade area by 2015 or even far beyond. Our wish last year was for serious efforts to relax the SADC rules of origin. This has not happened, and it is not the biggest problem. The real issue is how to change the inward-looking mentality that dominates SADC discussions. This might be beyond SA’s control, but at least we could start at home, not only with SADC, but more importantly in our overall approach to trade policy.

This brings us to our next wish, for some positive conclusions to the department’s review of the motor industry development programme, designed to assist the industry become internationally competitive. We wished for “greater transparency and accountability ... and a truly independent review of this programme with a serious analysis of its benefits and costs”.

This did not happen. The industry continues to make public threats to pull out without ongoing support and the department continues to make announcements about its commitment to the industry. But we have seen no review of the costs and benefits of the programme.

We concluded last year’s wish list with some general observations about trade and industrial policy: “Let us focus on the big picture and not fight over fiscal scraps. Many South African industries have grown up on handouts from government and continue to clamour for protection, subsidies and incentives. The motor sector leads the pack, but textile producers, metal, mineral and chemical companies, and more recently the film and call centre industries are no strangers to the food bowl.”

None of this has changed, and insult was added to injury late in the year when the department announced, with no public discussion and no disclosure of estimated costs , a “developmental electricity pricing” programme.

This is designed to give potential major investors (most importantly Alcan, in the hope that it might “save” one of our biggest white elephants of all by investing at Coega) whatever electricity price is necessary to make it profitable to invest in SA. This happens at a time when Eskom cannot provide South African consumers with sufficient electricity to run their homes.

So, unfortunately, our wish list remains more or less unchanged, except for one new one — a wish that next year’s list will be able to be different. Let us conclude with one wish we are happy to repeat. “We would like to take this opportunity to wish all taxpayers and consumers a good 2007!”

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